PROJECT OVERSIGHT REPORT

Medicaid Management Information System (MMIS)   **Report as of Date:**
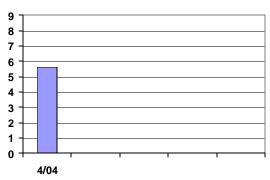**Department of Social and Health Services (DSHS)**   April 2004

Project Manager: John Anderson   **MOSTD Staff:** Tom Parma
Project Director: Heidi Robbins Brown
Executive Sponsor: Doug Porter

Severity/Risk Rating: High (high severity, high risk)   **Oversight:** Level 3 – ISB

Overall Project Risk Assessment

4/04

Staff Recommendations: ISB oversight staff recommends that DSHS address the three new recommendations included in the March quality assurance report. In addition, DSHS should either modify their schedule or develop an alternative approach to mitigate the schedule risks identified below.

Report Synopsis: The project is focused on finalizing the Request for Proposal (RFP) and submitting it to the federal Center for Medicare and Medicaid Services (CMS) for their 60-day review and approval. DSHS is planning to release the RFP July 1, 2004.

Issues/Risks:
- Schedule:
  - Overall: This project is operating under a constrained schedule imposed by the federal CMS. DSHS requested a 36-month implementation that would have extended until 12/07 and provided 6-12 months of schedule contingency. Although the ISB granted this extension, CMS did not, and is currently holding DSHS to a 12/06 implementation schedule, thus eliminating most if not all of the proposed schedule contingency. If DSHS is unable to meet the 12/06 deadline and CMS refuses to extend, DSHS will be faced with a budget shortfall.
  - Acquisition: The plan shows an RFP release date of 7/1, receiving responses by 9/1, and completing evaluations and demonstrations by 10/1 followed by a 6-week contract negotiation period. Receiving more responses increases the evaluation time. DSHS should establish an evaluation procedure that results in identifying 3-4 vendors for "finalists" evaluation.
  - Protests: There is no contingency built into the schedule for protests.

- Budget/Cost: DSHS must submit its budget decision package to the legislature prior to receiving bid responses. Based on the apparently successful vendor's proposal, DSHS may have to amend their budget request after the start of session.

- Scope: Although the requirements of the traditional core MMIS providers are known, there are opportunities to include the requirements to support other less-traditional MMIS service

providers in the scope. Some of these decisions could also impact other administrations within DSHS. To address this, the DSHS Enterprise Architecture framework is being used as a tool to aid the project in making scope decisions. In addition, DSHS' Medicaid program relies heavily on the Social Services Payment Systems (SSPS). SSPS supports payment types that are atypical for an MMIS system and may not be easily replaced by existing solutions. <u>The March 2004 QA report notes this risk and recommends that DSHS finalize the scope as soon as possible (Recommendation #4).</u>

This recommendation states, "The department should finalize the MMIS scope and determine how certain services that do not fit neatly within the MMIS should be managed from a department-wide perspective."

- <u>Resources:</u> Additional staff continues to be added to the project as needed.

- <u>Project Management/Processes:</u> There are no significant issues/risks to report.

- <u>Other</u>
  <u>Technology Architecture:</u> The two vendors with the largest installed base of CMS certified MMIS systems are typically based on older, less flexible technologies. Several vendors have newly architected, less mature systems that may not meet all of Washington's requirements or may not yet be CMS certified. Either option has risks and DSHS has not yet determined the level of its risk tolerance which is then translated into RFP minimum mandatory requirements. <u>The March 2004 QA report notes this risk and recommends that DSHS develop its minimum mandatory requirements based upon Recommendation #5 as soon as possible in order to meet its May 4 schedule for submitting the RFP to CMS for approval.</u> Recommendation #5 states, "The department should develop criteria for minimum qualifications based upon the department's risk tolerance threshold."

- <u>Interfaces:</u> MMIS interfaces with approximately 80 systems. DSHS has also initiated a subproject to deal with the modifications that will be required to ACES.

- <u>Broad Stakeholder Group:</u> Based partly on the Enterprise Architecture framework, other administrations within DSHS are trying to determine if their requirements can be met with the new MMIS (see Scope above). Finalizing requirements across these multiple stakeholder groups adds more risk to the project both in terms of scope and pressure on the schedule. One way DSHS has chosen to mitigate this risk is to phase in the non-core MMIS functions in later releases.

- <u>Market Conditions:</u> DSHS is concerned because within the next 18 months approximately 17 other states are planning to release RFPs to replace their MMIS systems within the next 18 months. This means that the vendors will prefer states where they have a greater chance of success and the opportunity for increased business/profits. DSHS is moving rapidly to get the RFP released as early as possible ahead of the other states.

- <u>Vendor Insolvency:</u> There may be a period of acquisitions and mergers over the next few years or vendors may become insolvent. In the case of MMIS, DSHS owns the code. In the event that the vendor cannot continue to support the system, DSHS could acquire the hardware to run it themselves but would still have to contract or hire additional programming staff.

- Staff Readiness: A new MMIS will entail significant changes throughout DSHS. The agency must ensure that the users understand how their job functions will change with a new system. This risk will have to be watched closely during this project. The March 2004 QA report notes this risk and recommends that DSHS develop a "human change management" plan.

  This recommendation states, "The department should embark on a human change management strategy to ensure staff are informed about the extent of changes to be implemented and how the department is managing these potential changes."

Status:
- Life Cycle Stage: The project is in the procurement phase. This phase is scheduled to be completed by January 18, 2005.

- Schedule and Cost:

Major Activities	Estimated Cost	Planned Start	Planned Completion
Requirements Analysis (completed)	$ 2.5M	9/03	2/04
Acquisition	$ 2.7M	2/04	1/05
Infrastructure Upgrade	$ 3.5M	7/04	12/06
Design	$ 17.0M	1/05	9/05
Development	$ 17.0M	9/05	5/06
Testing	$ 17.0M	5/06	12/06
Implementation	$ 7.0M		
• Phase 1: replace existing MMIS		12/06	
• Phase 2: migrate remaining Medicaid payments		12/07	
• Phase 3: migrate selected non-Medicaid payments		12/08	
Certification	$ 5.0M	12/06	7/07
Subtotal: Design, Development, Implementation	**$ 71.7M**		
Maintenance & Operations	$ 87.6M	1/07	12/2011
Next Reprocurement	--	12/2011	--

Technology: The proposed technology will be determined based on the successful vendor's proposal.

Budget: Budget through FY2011 (including maintenance and operations) is estimated at $160 million. Final budget will be based on the successful vendor's proposal.

Previous Project-Related ISB Appearances:
- March 2003: briefed Core Systems Committee on contract extension and MMIS reprocurement
- April 2003: requested 2-year contract extension to 12/07 – *Approved*
- February 2004: presented feasibility study findings to Core Systems Committee
- March 2004: requested approval of MMIS reprocurement investment plan – *Approved*

Background Information

Description: Washington's MMIS is a 1970's legacy system comprised of over 1400 programs and 3,000,000 lines of COBOL code. As with most of these systems, it is a VSAM flat file application that relies on extensive hard coded program logic. It was designed to support a single benefit, fee for service Medicaid program. Even routine policy and maintenance updates require program changes and modifications to the data structure requires, at a minimum, recompiling numerous programs followed by significant regression testing.

The Washington MMIS contract was awarded to Consultec Inc. (now ACS State Healthcare) in 1982; Washington had imported an MMIS system implemented in Iowa in the late 1970s. Washington's MMIS became operational in 1983. Following a competitive procurement process in 1989, the contract was again awarded to ACS.

The system is a CMS certified MMIS with the six subsystems required by the State Medicaid Manual. In addition, a pharmacy point of sale (POS) system for processing drug claims and a decision support system (DSS) to support ad hoc reporting, MARS (Management and Administrative Reporting System (decision support)) and SURS (Surveillance and Utilization Review Subsystem (fraud)) reporting, and the Payment Review Program have been added.

The MMIS processes over 24 million claims annually and pays over $3 billion to participating Medicaid providers. The principal transactions are fee for service claims, over 85% of which are submitted electronically, and capitation payments to managed care plans on behalf of enrolled Medicaid clients.

Major improvements/enhancements to the system since 1989 include:
- 1991 Drug rebate subsystem implemented
- 1993 Primary Care Options Program (PCOP) implemented to support MAA's focus on maximizing managed care for Medicaid clients
- 1996 Pharmacy point of sale (POS) system implemented
- 1999 Access to the MMIS migrated from IBM 3270 terminals to the MAA LAN. A computer output to laser disc (COLD) system installed for electronic storage and retrieval of standardized MMIS reports
- 2000 DSS implemented
- 2001 OMNITRACK call management system implemented
- 2002 PRISM pharmacy benefit management program implemented